

**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2005 and 2004**



Mary Taylor, CPA

Auditor of State

Village Council
Village of Addyston
235 Main Street
Addyston, Ohio 45001

We have reviewed the *Independent Auditors' Report* of the Village of Addyston, Hamilton County, prepared by Bastin & Company, LLC, for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Addyston is responsible for compliance with these laws and regulations.

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Mary Taylor, CPA
Auditor of State

March 26, 2007

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**VILLAGE OF ADDYSTON
HAMILTON COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of Village Council
Village of Addyston
235 Main Street
Addyston, OH 45001

We have audited the accompanying financial statements of the Village of Addyston, Hamilton County, Ohio, (the Village) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Village does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governmental units to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2005 and 2004, or their changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2006, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
December 28, 2006

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$ 242,342	\$ 145,145	\$ -	\$ -	\$ 387,487
Municipal Income Tax	451,613	-	-	-	451,613
Intergovernmental	39,166	12,696	-	2,429	54,291
Charges for Services	23,336	-	-	-	23,336
Licenses, Permits, and Fees	98,946	100	-	-	99,046
Earnings on Investments	3,667	1,458	-	-	5,125
Miscellaneous	414	-	-	-	414
Total Cash Receipts	<u>859,484</u>	<u>159,399</u>	<u>-</u>	<u>2,429</u>	<u>1,021,312</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	280,434	73	-	-	280,507
Leisure Time Activities	22,557	-	-	-	22,557
Basic Utility Services	24,239	-	-	-	24,239
Transportation	120,047	40,547	-	-	160,594
Community Environment	24,943	-	-	-	24,943
General Government	268,274	54,714	-	-	322,988
Debt Service:					
Principal Payments	22,992	-	134,000	-	156,992
Interest and Fiscal Charges	4,702	-	1,744	23,322	29,768
Total Cash Disbursements	<u>768,188</u>	<u>95,334</u>	<u>135,744</u>	<u>23,322</u>	<u>1,022,588</u>
Total Receipts Over (Under) Disbursements	<u>91,296</u>	<u>64,065</u>	<u>(135,744)</u>	<u>(20,893)</u>	<u>(1,276)</u>
Other Financing Receipts (Disbursements):					
Proceeds from Sale of Notes	-	-	103,945	-	103,945
Transfers - In	-	-	31,799	-	31,799
Transfers - Out	(31,799)	-	-	-	(31,799)
Other Sources	37	-	-	-	37
Other Uses	(3,838)	-	-	-	(3,838)
Total Other Financing Receipts (Disbursements)	<u>(35,600)</u>	<u>-</u>	<u>135,744</u>	<u>-</u>	<u>100,144</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	-	-	-	-	-
	55,696	64,065	-	(20,893)	98,868
Fund Cash Balances, January 1	<u>85,813</u>	<u>63,085</u>	<u>-</u>	<u>22,496</u>	<u>171,394</u>
Fund Cash Balances, December 31	<u>\$ 141,509</u>	<u>\$ 127,150</u>	<u>\$ -</u>	<u>\$ 1,603</u>	<u>\$ 270,262</u>
Reserves for Encumbrances, December 31	<u>\$ 46,883</u>	<u>\$ 26,021</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,904</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY
FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$ 146,929	\$ -	\$ 146,929
 Total Operating Cash Receipts	 <u>146,929</u>	 <u>-</u>	 <u>146,929</u>
Operating Cash Disbursements:			
Personal Services	24,074	-	24,074
Fringe Benefits	2,966	-	2,966
Contractual Services	127,403	-	127,403
Supplies and Materials	36,600	-	36,600
 Total Operating Cash Disbursements	 <u>191,043</u>	 <u>-</u>	 <u>191,043</u>
Operating Loss	<u>(44,114)</u>	<u>-</u>	<u>(44,114)</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	90,143	-	90,143
Intergovernmental Receipts	886	-	886
Other Non-Operating Receipts	-	111,328	111,328
 Total Non-Operating Cash Receipts	 <u>91,029</u>	 <u>111,328</u>	 <u>202,357</u>
Non-Operating Cash Disbursements:			
Debt Service-Principal	31,808	-	31,808
Interest and Fiscal Charges	8,969	-	8,969
Other Non-Operating Cash Disbursements	-	116,193	116,193
 Total Non-Operating Cash Disbursements	 <u>40,777</u>	 <u>116,193</u>	 <u>156,970</u>
Net Receipts Over (Under) Disbursements	6,138	(4,865)	1,273
Fund Cash Balances, January 1	<u>61,845</u>	<u>16,367</u>	<u>78,212</u>
Fund Cash Balances, December 31	<u>\$ 67,983</u>	<u>\$ 11,502</u>	<u>\$ 79,485</u>
Reserve for Encumbrances, December 31	<u>\$ 19,476</u>	<u>\$ -</u>	<u>\$ 19,476</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$ 148,694	\$ 71,709	\$ -	\$ -	\$ 220,403
Municipal Income Tax	409,357	-	-	-	409,357
Intergovernmental	36,898	173	-	29,269	66,340
Charges for Services	40,071	-	-	-	40,071
Licenses, Permits, and Fees	77,140	100	-	-	77,240
Earnings on Investments	1,907	918	-	-	2,825
	<u>714,067</u>	<u>72,900</u>	<u>-</u>	<u>29,269</u>	<u>816,236</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	264,662	-	-	-	264,662
Leisure Time Activities	19,351	-	-	-	19,351
Basic Utility Services	10,422	-	-	-	10,422
Transportation	84,801	34,481	-	-	119,282
General Government	316,507	981	-	-	317,488
Debt Service:					
Principal Payments	22,299	-	155,000	-	177,299
Interest and Fiscal Charges	3,281	-	4,000	-	7,281
Capital Outlay	12,154	-	-	79,778	91,932
	<u>733,477</u>	<u>35,462</u>	<u>159,000</u>	<u>79,778</u>	<u>1,007,717</u>
Total Receipts Over (Under) Disbursements	<u>(19,410)</u>	<u>37,438</u>	<u>(159,000)</u>	<u>(50,509)</u>	<u>(191,481)</u>
Other Financing Receipts (Disbursements):					
Proceeds from Sale of Notes	-	-	134,000	-	134,000
Proceeds from Capital Leases	12,154	-	-	-	12,154
Transfers - In	-	-	25,000	-	25,000
Transfers - Out	(25,000)	-	-	-	(25,000)
Other Uses	(12,454)	-	-	-	(12,454)
	<u>(25,300)</u>	<u>-</u>	<u>159,000</u>	<u>-</u>	<u>133,700</u>
Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and Other Financing Disbursements	(44,710)	37,438	-	(50,509)	(57,781)
Fund Cash Balances, January 1	130,523	25,647	-	73,005	229,175
Fund Cash Balances, December 31	<u>\$ 85,813</u>	<u>\$ 63,085</u>	<u>\$ -</u>	<u>\$ 22,496</u>	<u>\$ 171,394</u>
Reserves for Encumbrances, December 31	<u>\$ 703</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 724</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY
FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$ 143,982	\$ -	\$ 143,982
Total Operating Cash Receipts	143,982	-	143,982
Operating Cash Disbursements:			
Personal Services	22,722	-	22,722
Fringe Benefits	3,303	-	3,303
Contractual Services	113,357	-	113,357
Supplies and Materials	37,038	-	37,038
Capital Outlay	90,906	-	90,906
Total Operating Cash Disbursements	267,326	-	267,326
Operating Loss	(123,344)	-	(123,344)
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	38,098	-	38,098
Intergovernmental Receipts	1,509	-	1,509
Proceeds from Notes and Bonds	85,992	-	85,992
Other Non-Operating Receipts	-	111,292	111,292
Total Non-Operating Cash Receipts	125,599	111,292	236,891
Non-Operating Cash Disbursements:			
Debt Service-Principal	26,748	-	26,748
Interest and Fiscal Charges	9,730	-	9,730
Other Non-Operating Cash Disbursements	-	95,514	95,514
Total Non-Operating Cash Disbursements	36,478	95,514	131,992
Net Receipts Over (Under) Disbursements	(34,223)	15,778	(18,445)
Fund Cash Balances, January 1	96,068	589	96,657
Fund Cash Balances, December 31	\$ 61,845	\$ 16,367	\$ 78,212
Reserve for Encumbrances, December 31	\$ 143	\$ -	\$ 143

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Addyston, Hamilton County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, street maintenance, and police. The Village contracts with Miami Township to provide emergency medical services and with the Village of Cleves to provide fire protection services.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Deposits

Village funds are pooled in a checking account with a local commercial bank.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(continued)**

Fire Revenue Fund - This fund receives tax levy revenues for the purpose of contract services for fire and EMS services.

3. Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant Debt Service Fund:

Bond Retirement Fund - This fund is used to account for the retirement of the Village's bond anticipation note related to the Sekitan Street Project.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

County Road Fund - This fund receives grant proceeds from Hamilton County Engineer. The proceeds are being used for construction of and changes to Village streets.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following fiduciary fund:

Mayor's Court Fund - This fund is used to account for the collection and distribution of court fines and forfeitures.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(continued)**

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year-end are carried over, and need not be re-appropriated. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

H. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund type eliminations have not been made in the aggregation of this data.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2005 and 2004 was as follows:

	<u>2005</u>	<u>2004</u>
Demand deposits	\$349,747	\$249,606

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts

	<u>Budgeted</u>	<u>Actual</u>	
Fund Type	Receipts	Receipts	Variance
General	\$913,783	\$859,521	(\$54,262)
Special Revenue	162,118	159,399	(2,719)
Debt Service	30,550	135,744	105,194
Capital Projects	32,688	2,429	(30,259)
Enterprise	245,415	237,958	(7,457)
Total	\$1,384,554	\$1,395,051	\$10,497

2005 Budgeted vs. Actual Budgetary Basis Expenditures

	<u>Appropriation</u>	<u>Budgetary</u>	
Fund Type	Authority	Expenditures	Variance
General	\$965,197	\$850,708	\$114,489
Special Revenue	227,486	121,355	106,131
Debt Service	30,550	135,744	(105,194)
Capital Projects	106,080	23,322	82,758
Enterprise	306,742	251,296	55,446
Total	\$1,636,055	\$1,382,425	\$253,630

**VILLAGE OF ADDYSTON
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(continued)**

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$862,550	\$726,221	(\$136,329)
Special Revenue	101,363	72,900	(28,463)
Debt Service	25,000	159,000	134,000
Capital Projects	166,800	29,269	(137,531)
Enterprise	258,350	269,581	11,231
Total	\$1,414,063	\$1,256,971	(\$157,092)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$895,518	\$771,634	\$123,884
Special Revenue	65,694	35,483	30,211
Debt Service	25,000	159,000	(134,000)
Capital Projects	207,970	79,778	128,192
Enterprise	273,195	303,947	(30,752)
Total	\$1,467,377	\$1,349,842	\$117,535

4. COMPLIANCE AND ACCOUNTABILITY

Ohio Rev. Code, Section 5705.41(B), prohibits a subdivision from making expenditure unless it has been properly appropriated. In 2004, expenditures exceeded appropriations in the Bond Retirement Fund by \$134,000 as a result of the Village only appropriating for the net reduction to its bond anticipation note. Expenditures also exceeded appropriations in the Water Operating Fund by \$42,264 as a result of the Village not appropriating for expenditures related to OPWC project activity. In 2005, expenditures exceeded appropriations in the Bond Retirement Fund by \$105,194 as a result of the Village only appropriating for the net reduction to its bond anticipation note.

Ohio Rev. Code, Section 5705.39, states the total appropriation from each fund shall not exceed the total estimated revenue. In 2005, appropriations exceeded estimated resources in the Street Construction Fund by \$1,472, in the Permissive Motor Vehicle Tax Fund by \$201, in the Fire Revenue Fund by \$2,000 and in the HCCD Block Grant Fund by \$50,897.

Ohio Rev. Code, Section 5705.10, provides that money paid into any fund shall be used only for purposes for which such fund is established. As of December 31, 2005, the Village had a deficit cash balance of \$331 in the Permissive Motor Vehicle Tax Fund. A deficit cash balance indicates money from another fund(s) has been used to pay the obligations of the aforementioned funds. The negative cash balance resulted from the Village not considering prior year audit adjustments to cash before making additional expenditures during the year.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(continued)**

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

6. LOCAL INCOME TAX

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

7. LONG-TERM DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
First Street Water Main Improvements - OPWC Loan 1991	\$ 11,781	0.00%
Sekitan Street Water Service Rehabilitation - OPWC Loan 1993	6,970	3.00%
Water System Rehabilitation - OPWC Loan 1999	68,900	0.00%
Water Service Replacements - OPWC Loan 2003	264,277	3.00%
Well Field Water Main Replacement - OPWC Loan 2004	81,692	0.00%
Total	<u>\$ 433,620</u>	

The 1991 Ohio Public Works Commission loan relates to the First Street Water Main Improvements project. The 1993 Ohio Public Works Commission loan relates to the Sekitan Street Water Service Rehabilitation project. The 1999 Ohio Public Works Commission loan relates to the Water System Rehabilitation project. The 2003 Ohio Public Works Commission loan relates to the Water Service Replacements project. The loans will be repaid in semiannual installments of \$1,071, \$1,457, \$2,650 and \$9,761, including interest, over 20, 15, 20 and 20 years respectively. The loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OPWC debt service requirements.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(continued)**

Amortization of the above remaining debt, including interest, is scheduled as follows:

Year ending December 31:	First Street Water Main Improvements OPWC Loan	Sekitan Street Water Service Rehabilitation OPWC Loan	Water System Rehabilitation OPWC Loan	Water Service Replacements OPWC Loan	Well Field Water Main Replacement OPWC Loan
	1991	1993	1999	2003	2004
2006	\$ 2,142	\$ 2,915	\$ 5,300	\$ 19,521	\$ 4,300
2007	2,142	2,915	5,300	19,521	4,300
2008	2,142	1,457	5,300	19,521	4,300
2009	2,142	-	5,300	19,521	4,300
2010	2,142	-	5,300	19,521	4,300
2011-2015	1,071	-	26,500	97,607	21,498
2016-2020	-	-	15,900	97,607	21,498
2021-2025	-	-	-	48,803	17,196
Total	<u>\$ 11,781</u>	<u>\$ 7,287</u>	<u>\$ 68,900</u>	<u>\$ 341,622</u>	<u>\$ 81,692</u>

8. NOTES PAYABLE

In July 2004, the Village retired a previously issued \$155,000 street improvement bond anticipation note and issued a new \$134,000 street improvement bond anticipation note at the rate of 3.13%. In July 2005, the Village retired the \$134,000 note and issued a new bond anticipation note for \$103,945 at a rate of 2.63% with a maturity date of July 19, 2006. The note is collateralized by the faith, credit and revenue of the Village.

9. CAPITAL LEASES

Capital leases outstanding at December 31, 2005 were as follows:

	Principal	Interest Rate
2004 GMAC - Police Cruiser	\$ 4,047	5.55%
2003 Ford Motor Credit Company - Police Cruiser	4,339	6.35%
2001 Ford Motor Credit Company- Snow Plow/Truck	15,986	6.00%
Total	<u>\$ 24,372</u>	

The 2004 GMAC lease was entered into June 8, 2004. The lease was used to obtain a 2004 Chevrolet Impala Police Vehicle. The vehicle serves as collateral. At completion of the lease, the cruiser becomes the property of the Village.

The 2003 Ford Motor Credit Company lease was entered into August 15, 2003. The lease was used to obtain a 2003 Ford Crown Victoria Police Vehicle. The vehicle serves as collateral. At completion of the lease, the cruiser becomes the property of the Village.

The 2001 Ford Motor Credit Company lease was entered into October 10, 2001. The lease was used to obtain a 2001 Ford F650 truck with a spreader and a 2001 Ford F250 truck with a snow plow. The trucks serve as collateral. At the conclusion of the lease, the trucks become the property of the Village.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(continued)**

Amortization of the leases, including interest, is scheduled as follows:

	GMAC Police Cruiser	Ford Motor Credit Snow Plow/Truck	Ford Motor Credit Police Cruiser
Year ending December 31, 2006	\$ 4,272	\$ 16,423	\$ 4,431
Total	<u>\$ 4,272</u>	<u>\$ 16,423</u>	<u>\$ 4,431</u>

10. RETIREMENT SYSTEMS

The Village's police chief belongs to the Ohio Police and Fire Pension Funds (OP&F). Other full time employees and part-time police officers belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2005 and 2004. The Village has paid all contributions required through December 31, 2005.

11. RISK MANAGEMENT

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool (the "Pool"), an un-incorporated non-profit association available to municipal corporations and their instrumentalities. The plan is a separate legal entity per Section 2744.081 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the member's deductibles.

The Pool cedes certain premiums to reinsure's or excess re-insures. The Pool is contingently liable should any re-insurer be unable to meet its reinsurance obligations.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31.

	<u>2005</u>	<u>2004</u>
Assets	\$ 2,241,661	\$ 2,309,178
Liabilities	<u>(3,457,720)</u>	<u>(3,343,299)</u>
Retained deficit	<u>(\$1,216,059)</u>	<u>(\$1,034,121)</u>

12. SUBSEQUENT EVENTS

In July 2006, the Village retired the \$103,945 street improvement bond anticipation note and issued a new note for \$68,945 at a rate of 4.30% with a maturity date of July 16, 2007. In September 2006, the Village entered into a capital lease agreement for two police cruisers with a total cost of \$26,808. The capital lease requires three annual payments of \$9,632, and the Village will own the vehicles at the end of the lease.

Bastin & Company, LLC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Members of Village Council
Village of Addyston
142 North Main Street
Addyston, Ohio 45001

We have audited the accompanying financial statements of the Village of Addyston, Hamilton County, Ohio (the Village), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated December 28, 2006, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting that we have reported to management in a separate letter dated December 28, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2005-01 through 2005-03.

This report is intended solely for the information and use of management, Village Council and Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Bastin & Company, LLC

Cincinnati, Ohio
December 28, 2006

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDING NUMBER 2005-01

Noncompliance Citation

Ohio Revised Code, Section 5705.41 (B), states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

Expenditures exceeded appropriations at the legal level of control in the following funds during 2004 and 2005:

Fund	Appropriations	Expenditures	Variance
2004:			
Bond Retirement Fund	\$25,000	\$159,000	(\$134,000)
Water Operating Fund	177,478	219,742	(42,264)
2005:			
Bond Retirement Fund	30,550	135,744	(105,194)

Village's Response

The Village concurs with the citation and will attempt to monitor budgetary data more closely in the future.

FINDING NUMBER 2005-02

Noncompliance Citation

Ohio Rev. Code, Section 5705.39, states that the total appropriations from each fund should not exceed the total of estimated resources available (cash available at the beginning of the year plus estimated receipts for the year).

Appropriations exceeded estimated resources in the following funds during 2005:

Fund	Estimated Resources	Appropriations	Variance
Street Construction Fund	\$48,053	\$49,525	(\$1,472)
Permissive Motor Vehicle Tax Fund	4,772	4,973	(201)
Fire Revenue Fund	163,032	165,032	(2,000)
HCCD Block Grant Fund	3,489	54,395	(50,897)

Village's Response

The Village concurs with the citation and will attempt to monitor budgetary data more closely in the future.

FINDING NUMBER 2005-03

Noncompliance Citation

Ohio Rev. Code, Section 5705.10, provides that money paid into any fund shall be used only for purposes for which such fund is established.

As of December 31, 2005, the Village had a deficit cash balance of \$331 in the Permissive Motor Vehicle Tax Fund.

A deficit cash balance indicates money from another fund(s) has been used to pay the obligations of the aforementioned funds.

Village's Response

The Village concurs with the citation. The negative cash balance resulted from the Village not considering prior year audit adjustments to cash before making additional expenditures during the year.

**VILLAGE OF ADDYSTON
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2003-001	ORC section 733.28, Village not maintaining complete and accurate records.	No	Not corrected, reissued as a management letter comment.
2003-002	ORC section 5705.41(B), expenditures in excess of appropriations.	No	Not corrected, reissued as finding 2005-01.
2003-003	ORC section 5705.09(F), not establishing the proper funds.	Yes	The fund was established during the audit period.
2003-004	ORC section 5705.09, not establishing bond retirement fund.	Yes	The fund was established during the audit period.
2003-005	Village Ordinance 1994-12, proper use of leave forms.	Yes	The Village implemented improvements during the audit period.
2003-006	ORC section 5705.39 appropriations in excess of estimated resources.	No	Not corrected, reissued as finding 2005-02.
2003-007	ORC section 5705.41(D) Fiscal Officer certification noncompliance citation.	Yes	The Village implemented improvements during the audit period.
2003-008	Inaccurate water and sewer receipts postings and customer billings.	Yes	Instances were not noted for the current years under audit.
2003-009	Amended appropriations not properly entered to UAN system on timely basis.	No	Not corrected, reissued as a management letter comment



Mary Taylor, CPA
Auditor of State

VILLAGE OF ADDYSTON

HAMILTON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 5, 2007**